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BEFORE THE ARIZONA CORPORATION COMMISSION
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COMMISSIONERS

MIKE GLEASON, Chairman
JEFF HATCH-MILLER
WILLIAM A. MUNDELL
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KRISTIN K. MAYES

2008 SEP 19 A 9:53

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
CHAPARRAL CITY WATER COMPANY,
INC., AN ARIZONA CORPORATION, FOR
AN EXTENSION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY, AND
FOR AN ORDER PRELIMINARY PURSUANT
TO A.R.S. § 40-282.D.

DOCKET NO. W-02113A-05-0178

DECISION NO. 68238

**NOTICE OF SERVICE OF REQUEST
FOR EXTENSION OF TIME TO
COMPLY WITH ORDER 68238
(ORDER PRELIMINARY) (ARS § 40-
252)**

Brownstein Hyatt Farber Schreck, LLP hereby provides Notice of Service by U.S. Mail
upon the Arizona Corporation Commission Commissioners and their Aides of the Request for
Extension of Time to Comply With Order 68238 (Order Preliminary) (ARS § 40-252) in the above-
captioned Docket.

RESPECTFULLY SUBMITTED this 17th day of September 2008.

BROWNSTEIN HYATT FARBER SCHRECK, LLP

By

Robert J. Saperstein
21 E. Carrillo Street
Santa Barbara, CA 93101

Attorneys for Chaparral City Water Company, Inc.

Arizona Corporation Commission
DOCKETED

SEP 19 2008

DOCKETED BY

BROWNSTEIN HYATT FARBER SCHRECK, LLP
21 East Carrillo Street
Santa Barbara, CA 93101

1 **ORIGINAL** and **13 COPIES** of the foregoing
2 **FILED** this 17th day of September 2008 with:

3 Docket Control
4 ARIZONA CORPORATION COMMISSION
5 1200 West Washington Street
6 Phoenix, AZ 85007

7 **COPY** of the foregoing was sent by **U.S. Mail**
8 this 17th day of September 2008 to:

9 MIKE GLEASON, Chairman
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, AZ 85007

13 Ken Rozen
14 Advisor to Chairman Gleason
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, AZ 85007

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17 Don Kile
18 The Ellman Companies
19 2850 East Camelback Road, Suite 110
20 Phoenix, AZ 85106

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
JEFF HATCH-MILLER
WILLIAM A. MUNDELL
GARY PIERCE
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF
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DOCKET NO. W-02113A-05-0178

DECISION NO. 68238

**REQUEST FOR EXTENSION OF
TIME TO COMPLY WITH ORDER
68238 (ORDER PRELIMINARY) (ARS
§ 40-252)**

COMES NOW applicant, Chaparral City Water Company ("Chaparral City"), and respectfully requests an extension of time in which it may comply with Decision 68238, Order Preliminary, pursuant to Arizona Revised Statutes, section 40-252. The Order Preliminary will expire on October 25, 2008, unless this extension is granted.

1. The Order Preliminary (attached hereto as Exhibit "A") grants Chaparral City preliminary approval to extend its Certificate of Convenience and Necessity ("CC&N") to include approximately 1,300 acres of recently auctioned state trust lands. The Order Preliminary includes an extensive list of information and materials to be submitted as prerequisites to obtaining a final order approving the expansion of Chaparral City's CC&N. For all the reasons set forth below, the extension will optimize the efficient use of Commission resources and ensure the public interest is served in reserving the opportunity to consolidate water service to former state trust lands.

Chaparral City is the Only Appropriate Public Water Purveyor

2. The lands at issue are located immediately north of and adjacent to the currently approved Chaparral City CC&N. (See the map attached hereto as Exhibit "B".) The land would be annexed into the Town of Fountain Hills as part of its development approval. State park and tribal lands otherwise border this property. Since Chaparral City provides the public water service to the Town of Fountain Hills, Chaparral City is the only operating utility provider capable of serving this property. Presumably, the Commission would discourage the creation of a new utility provider to

1 serve approximately 1,500 customers.

2 **The Three-Year Time Limit of the Original Order Preliminary Proved Too Aggressive**

3 3. Chaparral City submitted the original Order Preliminary application, in part, to facilitate the
4 anticipated auction of the state trust lands. Both the Town of Fountain Hills and the State Lands
5 Commission supported the Order Preliminary. With some assurance that the land had available a
6 conveniently located water purveyor, the auction was expected to consummate in a sale promptly
7 following the approval of the Order Preliminary.

8 4. Instead, the initial auction attempt was not successful. The State Lands Commission was
9 forced to re-price and resubmit for public bid, the lands at issue. The land sale did succeed with the
10 second auction, but not until March 15, 2007 – 17 months following the approval of the Order
11 Preliminary. By then, the time available for compliance with the Order Preliminary had been
12 reduced by half.

13 5. The purchaser of the trust lands (The Ellman Companies) promptly began preparing its
14 development plans and held meetings with Town of Fountain Hills representatives to outline the
15 process needed to obtain the multiple regulatory approvals associated with the proposed project.

16 6. Development approval for certain aspects of the project has been granted, but is subject to
17 an active public referendum. Other aspects of project approval are being litigated both before the
18 Arizona Supreme Court and the Arizona Appellate Court.

19 **Compliance with the Order Preliminary Must Await Approval of the Development Project**

20 7. The Order Preliminary requires submission of information that cannot be developed until the
21 development project is approved, or at least until its final design is reasonably certain. For example,
22 Chaparral City must update its “Designation of Assured Water Supply” with the Arizona Depart-
23 ment of Water Resources (“ADWR”) to include the proposed development project. Among other
24 analyses, ADWR will require an estimate of the water demand associated the project. Of course,
25 the demand estimates cannot be developed until the scope of the project is more reliable. That is,
26 the referendum and the associated litigation must be resolved so that the project design can be
27 completed and relied upon.

1 8. Other aspects of the Order Preliminary are also dependent on a confirmed or reliable project
2 design. Chaparral City has been reticent to expend its resources on developing the materials needed
3 to comply with the Order Preliminary, pending a reliable final project design.

4 **Commission Resources and the Public Interest are Best Served in Extending the Order**
5 **Preliminary**

6 9. The Commission staff, Chaparral City and the Town of Fountain Hills all made significant
7 and intelligent efforts in composing the comprehensive requirements contained in the Order
8 Preliminary. Its issuance was uncontested. All of the unique facts and circumstances warranting
9 the Order Preliminary remain applicable.

10 10. Rather than request an extension of the Order Preliminary, Chaparral City could simply
11 reapply for a new Order Preliminary, or for final approval of an extension of its CC&N when
12 circumstances warrant. However, this would likely be detrimental to the potential success of the
13 development project. The Order Preliminary provides an important level of public service commit-
14 ment to the Town of Fountain Hills in processing the project development plans.

15 11. The Order Preliminary also sends an appropriate signal from the Commission that service
16 from a well-established and stable utility is much preferred over a new utility.

17 12. Simply stated, allowing an extension of the Order Preliminary respects the integrity of the
18 Commission's prior efforts and policy concerns, and reserves every opportunity to scrutinize the
19 details of the CC&N extension once the entirety of the applicable information is available.

20 13. Presuming the Commission is willing to consider granting an extension, Chaparral City
21 leaves to the Commission's discretion whether: (a) Order 68238 is modified to remove the time
22 limitation on compliance (the Order Preliminary compliance is made open-ended); or (b) an
23 additional three- to five-year compliance period is granted.

1 RESPECTFULLY SUBMITTED this 17th day of September 2008.

2 BROWNSTEIN HYATT FARBER SCHRECK, LLP

3
4 By 

5 Robert C. Saperstein
6 21 E. Carrillo Street
7 Santa Barbara, CA 93101

8 Attorneys for Chaparral City Water Company, Inc.

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20 Phoenix, AZ 85106

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Exhibit A

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

Arizona Corporation Commission

DOCKETED

OCT 25 2005

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

DOCKETED BY

W

8 IN THE MATTER OF THE APPLICATION OF
9 CHAPARRAL CITY WATER COMPANY, INC.,
10 AN ARIZONA CORPORATION, FOR AN
11 EXTENSION OF ITS CERTIFICATE OF
12 CONVENIENCE AND NECESSITY, AND FOR
13 AN ORDER PRELIMINARY PURSUANT TO
14 A.R.S. § 40-282.D.

DOCKET NO. W-02113A-05-0178

DECISION NO. **68238**

OPINION AND ORDER GRANTING
"ORDER PRELIMINARY"

15 DATE OF HEARING:

August 16, 2005

16 PLACE OF HEARING:

Phoenix, Arizona

17 ADMINISTRATIVE LAW JUDGE:

Dwight D. Nodes

18 APPEARANCES:

Mr. Jay L. Shapiro, FENNEMORE CRAIG, on
behalf of Applicant; and

Mr. David Ronald, Staff Attorney, Legal
Division, on behalf of the Utilities Division of
the Arizona Corporation Commission.

19 **BY THE COMMISSION:**

20 On March 10, 2005, Chaparral City Water Company ("Chaparral City" or "Company") filed
21 with the Arizona Corporation Commission ("Commission") an application for an extension of its
22 Certificate of Convenience and Necessity ("CC&N"), and for an "order preliminary" pursuant to
23 A.R.S. § 40-282.D, the terms of which would allow Chaparral City to extend its CC&N to include
24 approximately 1,300 acres of state trust land located north of the Town of Fountain Hills and
25 immediately adjacent to Chaparral City's existing CC&N area (Ex. A-1).

26 On April 4, 2005, the Commission's Utilities Division Staff ("Staff") and Chaparral City filed
27 a Joint Request for Procedural Schedule setting forth a proposed schedule for the conduct of this
28 proceeding.

By Procedural Order issued April 13, 2005, a hearing was scheduled for August 16, 2005, and
other procedural timelines were established, including a July 1, 2005 deadline for filing of a Staff

1 Report. The Procedural Order also directed the Company to publish notice of the Application and
2 mail notice to all affected property owners in the CC&N extension area.

3 On May 12, 2005, Chaparral City filed a Certification of Publication and Proof of Mailing
4 attesting to the Company's compliance with the notice requirements (Ex. A-2).

5 On June 28, 2005, Staff filed a Request for Extension of Time, until July 8, 2005, to file the
6 Staff Report. The Company did not oppose Staff's request.

7 On June 29, 2005, a Procedural Order was issued granting Staff's extension request and
8 extending Chaparral City's filing deadline for objections to the Staff Report.

9 On July 8, 2005, Staff filed its Staff Report recommending approval of the Company's
10 application subject to certain conditions. The Company agreed with the conditions recommended by
11 Staff and did not file objections to the Staff Report.

12 The hearing was held as scheduled on August 16, 2005 before a duly authorized
13 Administrative Law Judge of the Commission. Chaparral City and Staff appeared and were
14 represented by counsel. At the conclusion of the hearing, the matter was taken under advisement
15 pending issuance of a Recommended Opinion and Order.

16 * * * * *

17 Having considered the entire record herein and being fully advised in the premises, the
18 Commission finds, concludes, and orders that:

19 FINDINGS OF FACT

20 1. Chaparral City is an Arizona corporation engaged in providing water utility services in
21 eastern Maricopa County, Arizona, including the Town of Fountain Hills and a small portion of the
22 City of Scottsdale. The Company currently serves approximately 12,700 customers including
23 residential, commercial and irrigation customers.

24 2. Chaparral City's original permanent CC&N was granted by Decision No. 41243 (April
25 20, 1971). The Company's CC&N was extended by Decision No. 63201 (November 30, 2000).

26 3. Chaparral City is a wholly owned subsidiary of American States Water Company
27 ("American States"). American States is a holding company which owns Chaparral City and three
28 other utility subsidiaries: Southern California Water Company; American States Utility Services, Inc.;

1 and Bear Valley Electric Company (Ex. S-1, at 1).

2 4. By its application in this docket, Chaparral City is seeking authority to extend its
3 service territory to include approximately 1,313 acres of land owned by the State of Arizona and
4 administered by the Arizona State Land Department ("ASLD"). Only 35 acres of the ASLD land is
5 currently developed (for the Fountain Hills Middle School site) and is currently being served by
6 Chaparral City. The proposed extension area would add approximately two square miles to the
7 Company's existing 19 square mile CC&N area (*Id.* at 2).

8 5. According to the application, Fountain Hills and Maricopa County have expressed
9 interest in annexing the extension area after it is sold¹, and the ASLD has begun the process of
10 preparing the property for sale at auction². The Staff Report states that letters submitted by the ASLD
11 and Fountain Hills indicate that the sale of the property would be facilitated by approval of the
12 proposed CC&N extension (*Id.*).

13 6. Chaparral City's existing water system consists of a Central Arizona Project ("CAP")
14 water treatment plant that can process 18 million gallons of water per day; two wells capable of
15 producing 2,400 gallons per minute; eight storage tanks with a total capacity of 10.3 million gallons;
16 six booster stations; and a distribution system with four pressure zones. Based on historical growth
17 rates, the Company's customer base is expected to grow from 12,700 customers currently to
18 approximately 15,800 customers at the end of 2008. Staff indicated that Chaparral City currently has
19 sufficient source and storage capacity to serve up to 18,000 customers (Ex. S-1, at 2).

20 7. Staff stated that the Company has no outstanding compliance issues with the
21 Commission's Compliance Section (*Id.*).

22 8. Maricopa County Environmental Services Division ("MCESD") reported that
23 Chaparral City's system, PWS No. 07-017, has no major deficiencies. MCESD has determined that

24 ¹ During public comment at the hearing, Fountain Hills' Town Manager, Tim Pickering, stated that the Town considers
25 annexation of the state trust land a priority and availability of water service to the area is a necessary first step in that
process (Tr. 5-6).

26 ² Public comment in support of the CC&N extension was also offered by ASLD Commissioner Mark Winkelman. Mr.
27 Winkelman stated that the state trust land that is the subject of the CC&N extension request in this docket is in
preliminary stages of preparation for auction. He indicated that ASLD is desirous of having the water utility provider in
28 place prior to auction to maximize the opportunity for sale of the property. A stand-alone wastewater district is expected
to provide sewer service to the property and electric service would be provided by Arizona Public Service Company (Tr.
7-13).

1 the Company's system is currently delivering water that meets water quality standards required under
2 Arizona Administrative Code, Title 18, Chapter 4 (*Id.*).

3 9. Given the current unknown nature of development for the state trust land property, the
4 specific configuration of the Company's system for the area is not known. As a result, the Company
5 is unable, at this time, to submit an application for a Certificate of Approval to Construct ("ATC") for
6 expansion into the area (*Id.* at 3).

7 10. Chaparral City's service area is located within the Phoenix Active Management Area
8 ("AMA") and a developer in the extension area would therefore be required by the Arizona
9 Department of Water Resources ("ADWR") to demonstrate a 100-year assured water supply prior to
10 recording plats or selling parcels. A developer may prove a 100-year supply by satisfying the ADWR
11 requirements for a Certificate of Assured Water Supply, or by a written commitment of service from
12 a provider with a Designation of Assured Water Supply ("Designation") for its existing service area.
13 Chaparral City holds a Designation for its existing CC&N area and Staff expects that the Company
14 will seek to amend its Designation to include the extension area (*Id.*).

15 11. The U.S. Environmental Protection Agency has reduced the maximum contaminant
16 level ("MCL") for arsenic in drinking water from 50 parts per billion ("ppb") to 10 ppb, effective
17 January 23, 2006. According to Staff, Chaparral City reported that its CAP water source has an
18 average arsenic content of only 2 ppb, but the Company's two well sources have arsenic levels of 12
19 ppb and 13 ppb. Staff indicates that the Company plans to blend its well sources with CAP water in
20 order to meet the new arsenic MCL requirements (*Id.*).

21 12. Staff points out that a Curtailment Plan Tariff is an effective tool to enable a water
22 company to manage its resources during periods of shortages due to pump breakdowns, droughts or
23 other unforeseen events. Chaparral City submitted a Curtailment Plan Tariff in its pending rate case
24 (Docket No. W-02113A-04-0616).

25 13. Based on its analysis of the Company's application and associated documents and
26 exhibits, Staff recommended approval of Chaparral City's application subject to the following
27 conditions:
28

- 1) Pursuant to A.R.S. § 40-282(D), the Commission's issuance of an "Order Preliminary" to the issuance of a "Final Order" granting the ultimate CC&N extension for the state trust land identified in the application;
- 2) Chaparral City be directed not to construct any water distribution mains within the CC&N extension area identified in this docket, nor provide any water services within the proposed extension area, until the Commission issues a "Final Order" in this docket approving the ultimate CC&N for the extension area;
- 3) Chaparral City be required to demonstrate to the satisfaction of the Commission's Director of Utilities that the Company is able to meet the water production needs for its system, PWS No. 07-017, for both its current customer base as well as expected demand for the proposed extension area. Sufficient capacity may be demonstrated by filing with Docket Control a list of pending or future water sources, their anticipated production capacity in gallons per minute, and a time schedule for ADEQ approval of construction and operation;
- 4) Chaparral City be required to update or amend its Designation of Assured Water Supply to include the service area sought by the CC&N extension request. The Company must file with Docket Control under the above-captioned docket number, the amended Designation, stating that there is adequate water supply, where applicable or required by law;
- 5) Chaparral City be required to file with Docket Control the projected number of customers to be served at build out in the extension area;
- 6) Chaparral City be required to file with Docket Control the projected cost of utility facilities for the proposed extension area;
- 7) Chaparral City be required to file with Docket Control copies of each ADEQ and/or MCESD "Approval to Construct" for the requested extension area prior to providing service from the facilities covered by each Approval to Construct;
- 8) Chaparral City be required to file with Docket Control a copy of the amended Maricopa County and/or Town of Fountain Hills franchise agreement in accordance with the application in this proceeding; and
- 9) Chaparral City be required to comply with items 3, 4, 5, 6, 7, and 8 within three (3) years of the effective date of the "Order Preliminary" issued in this proceeding. If the Company complies with the designated items within the three-year timeframe, it should be required to file a Motion within the three-year period seeking a "Final Order" for approval of the CC&N extension area. If Chaparral City fails to meet the three-year timeframe, it should be required to submit a new CC&N extension application in order to serve the area requested by its application in this proceeding and to file proof of such submission in this docket for compliance purposes (*Id.* at 4-5).

1 Discussion and Resolution

2 14. As discussed above, Chaparral City has requested, and Staff has recommended, that
3 the Commission issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the
4 ultimate CC&N to Chaparral City. A.R.S. §40-282(D) provides:

5 If a public service corporation desires to exercise a right or privilege under
6 a franchise or permit which it contemplates securing, but which has not
7 yet been granted to it, the corporation may apply to the commission for an
8 *order preliminary* to the issue of the certificate. The commission may
9 make an order declaring that it will thereafter, upon application, under
10 rules it prescribes, issue the desired certificate, upon terms and conditions
11 it designates, after the corporation has obtained the contemplated franchise
12 or permit or may make an order issuing a certificate on the condition that
the contemplated franchise or permit is obtained and on other terms and
conditions it designates. If the commission makes an order preliminary to
the issuance of the certificate, upon presentation to the commission of
evidence that the franchise or permit has been secured by the corporation,
the commission shall issue the certificate. (emphasis added)

13 15. Chaparral City seeks an Order Preliminary from the Commission in order to proceed
14 with its plans to serve the state trust land that is in the process of preparation for sale at auction by the
15 ASLD. Under the Chaparral City and Staff proposal, the requested Order Preliminary would impose
16 certain requirements on the Company that must be satisfied prior to issuance of a subsequent "Final
17 Order" by the Commission formally granting the requested CC&N extension to Chaparral City.

18 16. In a recent Decision, we pointed out that although A.R.S. §40-282(D) permits the
19 issuance of an Order Preliminary, the process apparently has not been used on a regular basis for a
20 number of years. *See, Utility Source, LLC*, Decision No. 67446 (January 4, 2005).

21 17. There are circumstances where issuance of an Order Preliminary makes sense, such as
22 instances where a number of issues remain unresolved and subject to future events outside of the
23 Applicant's control, through no fault of the Applicant, and where there is a need to provide a degree
24 of certainty as to whether a given Applicant should be granted approval subject to the occurrence of
25 anticipated events. In a prior docket involving the acquisition by Johnson Utilities Company of a
26 defunct wastewater company's assets through the Bankruptcy Court, unique circumstances were
27 found to exist which justified the issuance of an Order Preliminary. Decision No. 67586 (February
28

1 15, 2005).

2 18. We believe that this proceeding also presents a unique set of facts that warrants the
3 issuance of an Order Preliminary, given the number of unresolved issues related to future
4 development of the state trust land. Granting an Order Preliminary will enable Chaparral City to
5 move forward with its preliminary plans for serving the proposed extension area, and will enable the
6 ASLD to have additional certainty regarding the provision of water utility service prior to making the
7 property available for sale. As such, preliminary approval will enhance the ability of the ASLD to
8 maximize the price obtained for the land, thereby providing a benefit to the State. Granting the
9 Order Preliminary in this case will also allow Chaparral City to wait until the developer's plans are
10 known before installing facilities necessary to serve the extension area and to secure other necessary
11 regulatory approvals. In addition, issuance of the Order Preliminary will enable the Commission to
12 maintain oversight of the process to ensure that all requirements have been met prior to granting final
13 approval of the CC&N extension. Once Staff has determined Chaparral City's compliance with the
14 conditions discussed herein, we will have a further opportunity to review Staff's recommendation and
15 issue a Final Order in this proceeding.

16 **CONCLUSIONS OF LAW**

17 1. Chaparral City is a public service company within the meaning of Article XV of the
18 Arizona Constitution and A.R.S. §§40-281, 40-282 and 40-285.

19 2. The Commission has jurisdiction over Chaparral City, and the subject matter of the
20 application.

21 3. Notice of the application was given in the manner described herein.

22 4. Pursuant to A.R.S. §40-282(D), it is appropriate under the unique facts and
23 circumstances of this case to issue an Order Preliminary.

24 5. In accordance with the Order Preliminary issued pursuant to A.R.S. §40-282(D),
25 Chaparral City shall be required to comply with all conditions set forth in the Staff recommendations
26 described above.

27 ...

28 ...

ORDER

IT IS THEREFORE ORDERED that, pursuant to A.R.S. §40-282(D), an Order Preliminary is hereby issued to Chaparral City Water Company, Inc., for extension of its CC&N for the area more fully described in Exhibit A attached hereto.

IT IS FURTHER ORDERED that, prior to issuance of a Final Order in this docket, Chaparral City Water Company, Inc. must comply with Staff's recommendations, as described herein.

IT IS FURTHER ORDERED that, prior to issuance of a Final Order, Chaparral City Water Company, Inc. shall be required to demonstrate to the satisfaction of the Commission's Director of Utilities that the Company is able to meet the water production needs for its system, PWS No. 07-017, for both its current customer base as well as expected demand for the proposed extension area. Sufficient capacity may be demonstrated by filing with Docket Control a list of pending or future water sources, their anticipated production capacity in gallons per minute, and a time schedule for ADEQ approval of construction and operation.

IT IS FURTHER ORDERED that, prior to issuance of a Final Order, Chaparral City Water Company, Inc. shall be required to update or amend its Designation of Assured Water Supply to include the service area sought by the CC&N extension request. The Company must file with Docket Control under the above-captioned docket number, the amended Designation, stating that there is adequate water supply, where applicable or required by law.

IT IS FURTHER ORDERED that, prior to issuance of a Final Order, Chaparral City Water Company, Inc. shall be required to file with Docket Control the projected number of customers to be served at build out in the extension area.

IT IS FURTHER ORDERED that prior to issuance of a Final Order, Chaparral City Water Company, Inc. shall be required to file with Docket Control the projected cost of utility facilities for the proposed extension area.

IT IS FURTHER ORDERED that prior to issuance of a Final Order, Chaparral City Water Company, Inc. shall be required to file with Docket Control a copy of the amended Maricopa County and/or Town of Fountain Hills franchise agreement in accordance with the application in this proceeding.

1 IT IS FURTHER ORDERED that prior to issuance of a Final Order, Chaparral City Water
2 Company, Inc. shall be required to comply with items 3, 4, 5, 6, 7, and 8 of Staff's recommendations,
3 as more fully described herein in Finding of Fact No. 13, within three (3) years of the effective date
4 of the "Order Preliminary" issued in this proceeding. If the Company complies with the designated
5 items within the three-year timeframe, it shall file a Motion in the above-captioned docket, within the
6 three-year period, seeking a "Final Order" for approval of the CC&N extension area. If Chaparral
7 City fails to meet the three-year timeframe, it shall submit a new CC&N extension application in
8 order to serve the area requested by its application in this proceeding and to file proof of such
9 submission in this docket for compliance purposes.

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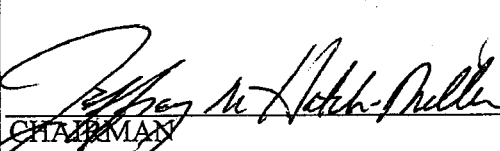


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IT IS FURTHER ORDERED that, upon issuance of a Final Order granting a CC&N for the proposed extension area Chaparral City Water Company, Inc. shall provide water utility services in the extension area under its existing tarified rates and charges.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

 CHAIRMAN	 COMMISSIONER
COMMISSIONER	 COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 25th day of Oct., 2005.


 BRIAN C. McNEIL
 EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR: CHAPARRAL CITY WATER COMPANY, INC.

2 DOCKET NO.: W-02113A-05-0178

3 Jay L. Shapiro
4 Norman D. James
5 FENNEMORE CRAIG
6 3003 N. Central Ave., Ste. 2600
7 Phoenix, Arizona 85012

8 Christopher Kempley, Chief Counsel
9 Legal Division
10 ARIZONA CORPORATION COMMISSION
11 1200 West Washington Street
12 Phoenix, Arizona 85007

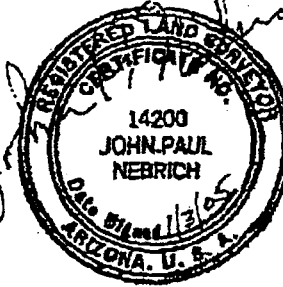
13 Ernest G. Johnson, Director
14 Utilities Division
15 ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
17 Phoenix, Arizona 85007

**ARIZONA STATE LAND DEPARTMENT
LEGAL DESCRIPTION FORM**

SUBMITTED TO:

REFERENCE: FOUNTAIN HILLS

THIS IS TO CERTIFY THAT THIS
LEGAL DESCRIPTION WAS
PREPARED UNDER MY DIRECTION.



THE ENGINEERING AND MAPPING SECTION HEREBY SUBMITS
THE LEGAL DESCRIPTION OF LANDS REQUIRED
AND LOCATED IN:

SEC. 1, 2, 3 TWP. 3N RGE 6E CO. MARICOPA

LEGAL DESCRIPTION:

GOVERNMENT LOTS 9, 10, AND 11, OF SECTION 1, AND GOVERNMENT LOTS 1 THRU 4, THE SOUTH HALF OF THE NORTH HALF, AND THE SOUTH HALF OF SECTION 2, AND GOVERNMENT LOTS 1 THRU 4, THE SOUTH HALF OF THE NORTH HALF, AND THE SOUTH HALF OF SECTION 3, TOWNSHIP 3 NORTH, RANGE 6 EAST, OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 1, ALSO BEING THE NORTHEAST CORNER OF SECTION 2,,

THENCE N90°00'E ALONG THE NORTH LINE OF SAID SECTION 1, A DISTANCE OF 657.36 FEET, TO THE NORTHEAST CORNER OF LOT 9,

THENCE S6°38'W, ALONG THE EAST LINE OF LOTS 9 AND 10, A DISTANCE OF 2208.36 FEET,

THENCE S6°36'W, ALONG THE EAST LINE OF LOTS 10 AND 11, A DISTANCE OF 2640.00 FEET,

THENCE S6°39'W, ALONG THE EAST LINE OF LOT 11, A DISTANCE OF 461.34 FEET, TO THE SOUTH LINE OF SECTION 1,

THENCE N90°00'W ALONG THE SOUTH LINE OF SAID SECTION 1, A DISTANCE OF 38.94 FEET, TO THE SOUTHWEST CORNER OF SECTION 1, ALSO BEING THE SOUTHEAST CORNER OF SECTION 2,

THENCE N89°51'W ALONG THE SOUTH LINE OF SAID SECTION 2; A DISTANCE OF 5257.56 FEET, TO THE SOUTHWEST CORNER OF SECTION 2, ALSO BEING THE SOUTHEAST CORNER OF SECTION 3,

THENCE N89°55'W ALONG THE SOUTH LINE OF SAID SECTION 3, A DISTANCE OF 5277.36 FEET, TO THE SOUTHWEST CORNER OF SECTION 3,

THENCE N00°15'W ALONG THE WEST LINE OF SAID SECTION 3, A DISTANCE OF 5208.72 FEET, TO THE NORTHWEST CORNER OF SECTION 3,

THENCE N89°48'E ALONG THE NORTH LINE OF SAID SECTION 3, A DISTANCE OF 5280.00 FEET, TO THE NORTHEAST CORNER OF SECTION 3, ALSO BEING THE NORTHWEST CORNER OF SECTION 2,

THENCE CONTINUING N89°48'E ALONG THE NORTH LINE OF SAID SECTION 2, A DISTANCE OF 5280.00 FEET, TO THE NORTHEAST CORNER OF SECTION 2, ALSO BEING THE NORTHWEST CORNER OF SECTION 1, AND THE POINT OF BEGINNING.

CONTAINING 1312.68 ACRES. MORE OR LESS

John P. Neblich
SIGNATURE
1/3/05
DATE

Exhibit B

